

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC 7644

C O N F I D E N T I A L NASSAU 2127

EXDIS

E.O. 11652: GDS

TAGS: EFIN CFED BF

SUBJ: IRS INVESTIGATION: OPERATION HAVEN

1. I WAS VISITED TODAY BY MR. BERNARD S. BAILOE, ATTORNEY, CRIMINAL SECTION, TAX DIVISION, U.S. DEPARTMENT OF JUSTICE. MR. BAILOE EXPLAINED THAT THE ENTIRE OPERATION HAVEN CASE HAS BEEN TURNED OVER TO THE DEPARTMENT OF JUSTICE FOR ACTION.

2. MR. BAILOE EXPLAINED THAT HIS PURPOSE IN COMING TO SEE ME WAS TO DESCRIBE HOW HE ANTICIPATED THE JUSTICE INVESTIGATION WOULD PROCEED AND, IN CONNECTION THEREWITH, TO SEEK MY ADVICE AS TO WHAT COULD AND COULD NOT BE DONE VIS-A-VIS THE BAHAMIAN GOVERNMENT.

3. BASICALLY MR. BAILOE HAS THREE GENERAL COURSES OF ACTION IN MIND: A) THE SUBPOENAING OF A LARGE GROUP (POSSIBLY IN EXCESS OF 30) U.S. CITIZENS LIVING IN THE BAHAMAS WHO WILL BE ASKED TO TESTIFY BEFORE THE GRAND JURY, B) AN ATTEMPT TO SECURE CERTAIN RECORDS PERTAINING TO THE OWNERSHIP OF THE CASTLE BANK, AND C) THE INTERVIEWING OF CERTAIN BANK OFFICIALS NOW RESIDENT IN THE BAHAMAS, MOST IMMEDIATELY AND MOST PROMINENTLY MR. WOLSTENCROFT OF CASTLE BANK.

4. I ASKED MR. BAILOE IF HE WAS FAMILIAR WITH THE PRIOR HISTORY OF EXCHANGE OF COMMUNICATIONS BETWEEN WASHINGTON AND THE EMBASSY ON THIS ENTIRE MATTER UP TO AND INCLUDING THE VISIT LAST WEEKEND OF TREASURY AND IRS OFFICIALS. HE WAS NOT AND
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ADMITTED THAT THERE WAS AN UNFORTUNATE LACK OF COMMUNICATION

AMONG THE WASHINGTON AGENCIES ON THIS ISSUE. IN ANY EVENT, I PROCEEDED TO FILL HIM IN ON WHAT HAD OCCURRED ENDING ON THE NOTE THAT I WAS PREPARED TO APPROACH ADDERLEY IN HIS CAPACITY BOTH AS MINISTER OF EXTERNAL AFFAIRS AND AS ATTORNEY GENERAL TO DESCRIBE TO HIM SPECIFIC ACTIONS WHICH WE WISHED TO TAKE, SUCH AS THOSE DESCRIBED IN PARA 3 IMMEDIATELY ABOVE, TO ASCERTAIN WHETHER THIS WAS INCONSISTENT WITH BAHAMIAN LAW OR OTHERWISE POSED PROBLEMS TO THE GOVERNMENT. I INDICATED THAT ADDERLEY HAD BEEN ENTIRELY COOPERATIVE LAST WEEK WITH REGARD TO THE PARTICULAR ACTIONS WHICH WE WISHED TO TAKE AT THAT TIME, BUT THAT I COULD NOT PREDICT IN ADVANCE OF SEEING SPECIFICALLY WHO MR. BAILOE WISHED TO QUESTION AND/OR SUBPOENA AND WHAT SORTS OF RECORDS OR INFORMATION HE WISHED TO SEEK OUT WHETHER WE COULD SECURE THE COOPERATION OF THE BAHAMIAN GOVERNMENT OR AT LEAST NOT CONFRONT AN OBJECTION ON THEIR PART.

5. MR. BAILOE SAID THAT HE HAD NO PROBLEM WHATSOEVER WITH THE PROCEDURE THAT I HAD SUGGESTED AND THAT HE WOULD COMMUNICATE IN WRITING WITH ME CONCERNING THE STEPS HE HAD OUTLINED.

6. I RECOMMEND THAT THE DEPARTMENT CONTACT MR. BAILOE DIRECTLY AT HIS WASHINGTON OFFICE (TELEPHONE 739-4334) SO THAT STATE AND JUSTICE ARE FULLY COORDINATED ON ANY FURTHER APPROACHES.
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